

Table B
Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
<p>1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.</p>	<p>Reviewed and evaluated laws and regulations related to the program and state administration of the program.</p>
<p>2 Select six cities receiving Local Streets and Roads Program (LSRP) funds—two with populations over 100,000; two with populations between 50,000 and 100,000; and two with populations under 50,000—and do the following:</p> <p>a. Evaluate each city’s process to prioritize the projects submitted for LSRP funds, including the extent to which equity was a component of that decision-making.</p> <p>b. Determine each city’s most and least common usages for LSRP funds.</p> <p>c. Determine whether the cities are submitting annual expenditure reports to the Commission as required.</p> <p>d. To the extent possible, determine the impact additional SB1 funding has had on local street and road infrastructure, and evaluate whether the city’s spending is consistent with the program’s rules and purpose.</p>	<ul style="list-style-type: none"> • Selected six cities across the State—Baldwin Park, Bell, Coronado, Oakland, Riverside and Yuba City—with populations in the specified ranges. • Reviewed planning documents, city council meeting minutes, public communications, and output from pavement management systems. • Reviewed Commission expenditure data to confirm that cities reported expenditures and to identify the most and least common usages for program funds. • Reconciled reported expenditure totals to city accounting records and traced specific expenditures to supporting documentation, such as paid invoices, to ensure that expenditure reporting was accurate. • Reviewed past and present pavement conditions derived from pavement management systems to identify changes over time and interviewed city staff to identify any funding shortfalls for maintaining streets. • While reviewing specific expenditures for Objective 2(c), confirmed that spending was consistent with program rules and purpose.
<p>3 a. Evaluate the process the Commission uses to determine whether cities and counties are eligible for LSRP funding. Specifically, assess the extent to which the process for cities and counties to apply for LSRP projects is transparent and promotes accountability for cities’ and counties’ use of LSRP funds.</p> <p>b. Assess the extent to which the formula in state law defines and requires an equitable distribution of funding.</p>	<ul style="list-style-type: none"> • Reviewed the Commission’s processes for determining eligibility, including timelines, requirements, communication with and assistance to cities and counties, and reviewed how the Commission provides this information to the public to promote transparency and accountability. • Reviewed state law to identify how the State intended to distribute funding, reviewed the use of equity in program statutes, and reviewed other areas that related to equity in transportation investments.
<p>4 Determine whether the Controller distributes funds to all cities and counties on the eligibility list in accordance with state law.</p>	<p>Reviewed accounting records and reports from the State Controller’s systems to verify that the State Controller distributes each dollar it receives. Reviewed the State Controller’s calculations and funding distributions for one month in each of the last three fiscal years and verified that data by recalculating the appropriate distributions. Reviewed accounting records of the transfer of those funds to confirm that cities we reviewed received the calculated amounts.</p>
<p>5 Calculate the total funds distributed by the LSRP through the most recently completed funding cycle and whether all available funds were distributed. If there were insufficient funds for all approved projects, determine how funding adjustments were made.</p>	<ul style="list-style-type: none"> • Reviewed accounting reports from the State Controller to identify the total funds it has distributed since the program began. Relied on work under Objective 4 to confirm that the State Controller distributed all available funds each month. Reviewed the role of the Commission in providing guidance related to funding availability and determined that the Commission does not approve specific projects or review the cost of those projects and determine whether funding is sufficient to complete them. • Interviewed staff at the six cities we reviewed to understand whether they had ever experienced insufficient program funding.

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<p>6 Assess the extent of the oversight provided by state entities, including the Controller and Commission, by doing the following:</p> <ul style="list-style-type: none"> a. Determine whether the Controller is auditing local jurisdictions to ensure that they are meeting maintenance-of-effort requirements. b. Assess whether the Controller is able to take action, or has taken action, against local jurisdictions that do not comply with maintenance-of-effort requirements. c. Determine whether local entities are reporting to the Commission as required and what actions, if any, the Commission has taken or could take to address any lack of reporting. 	<ul style="list-style-type: none"> • Interviewed State Controller auditors to determine the extent of their reviews of maintenance-of-effort requirements and reviewed documentation of their reviews. Reviewed documents and interviewed management to determine what additional actions the State Controller took or planned to take against cities it suspects did not meet the requirement. • Reviewed recent expenditure reports to identify any cities or counties that did not report expenditures as required and found none. Interviewed the Commission to understand how it ensures that all cities and counties report their expenditures and reviewed associated documentation.
<p>7 Determine whether state entities provided flexibility to cities and counties on the use of this program during the pandemic, the extent of any actions taken, and whether state entities are still providing such flexibility.</p>	<p>Interviewed officials at state agencies to identify the flexibility they provided during the pandemic, and reviewed policies and Commission actions that provided flexibility. Interviewed cities selected for Objective 2 to identify whether this flexibility was helpful and to identify other challenges the cities experienced during the pandemic.</p>
<p>8 Review and assess any other issues that are significant to the audit.</p>	<p>No other areas reviewed.</p>

Source: Audit workpapers.